

# “How Much Should I Charge?”

## Pricing Your Meat Cuts

Okay, so you’re thinking about raising livestock for direct-to-consumer sales. You’ve figured out what kind of livestock you want to raise, what kind of infrastructure you will need, soil tested your pastures, the works. One question remains; how much should you charge your customers?

It doesn’t matter if you are selling halves, quarters or single cuts, you will first need to know your cost of production. What are your costs of raising that animal from day one until the day of slaughter? In any business endeavor, keeping good records is essential to knowing if you are going to be profitable or not. Once you know your cost of production, there are some tools you can use to help you determine what price you may want to attach to your fine, farm fresh product.

Mike Debach of the Leona Meat Plant in Troy, Pennsylvania, has a nifty process you can use that will help you figure out your costs after processing so you can determine your retail price. For this example, understand that the cost of production will vary depending on the breed of the animal and production methods (i.e., grain-fed, grass-fed). According to Dr. John Comerford from Penn State's Department of Dairy and Animal Science, the percentage used to determine the “carcass weight” varies depending on what kind of animal it is (beef, hog, lamb), what breed the animal is, and the method of production. So, for this example, let’s say we have a grass-fed, Angus steer that dresses out to a hanging carcass weight that is 58 percent of its live weight and your cost to get that animal to slaughter weight is \$1.35 per pound of live weight.

Here it is:

- Determining the cost of your animal:
  - Start with your per pound cost of the live animal (as mentioned before, your cost to raise that animal).
    - Divide this amount by 58% to get your “hanging cost.” (That animal is now a “carcass” after it is slaughtered. This determines your new cost per pound at “carcass weight.”)
    - Add in your processing fees, trucking, etc., to the “hanging cost.”
    - Divide the total by 65% to get your “cut-out” cost (breaking the carcass down into individual cuts of meat).
    - Divide your cut-out cost by the percentage mark-up you desire to reach the “retail value” price you will ultimately charge.
- Here’s an example:
  - Cost of the live animal = \$1.35 per pound
  - \$1.35 divided by 58% = \$2.33
  - \$2.33 plus \$0.65 (per pound processing fee) = \$2.98
  - \$2.98 divided by 65% = \$4.58
    - This is the final cost of your animal becoming single cuts of meat

- \$4.58 divided by 75% = \$6.11
  - A sale price of \$6.11 per pound would give you a 25% return on your product.

As you can see, in every step of the process there is a reduction to your final yield of finished product. So, your cost per pound will go up with every step from live animal to cut and packaged product. The above example will give you a rough estimate which can help you to remain profitable. Keep in mind, it is a “rough” estimate. A lot of variables can change these percentages. For example, how much fat was on the animal? What kind of cuts are you requesting? Are you getting bone-in or boneless cuts? If you want boneless cuts, this will reduce the total pounds of product returned to you from your butcher.

What kind of animal you are processing will also make a difference in the percentage of product you ultimately receive. Dr. Christopher Raines, of Penn State’s Department of Dairy and Animal Science, has a handy sheet that describes the average percentage of yield in the butchering process for pork, beef and lamb. You can download Dr. Raines’ document at < [www.das.psu.edu/research-extension/meat](http://www.das.psu.edu/research-extension/meat) >.

Dr. Raines’ document says when converting an animal into a carcass, the average percentage of yield for pork is around 70 percent, beef 60 percent and lamb 50 percent. Turning that carcass into individual cuts of meat; the average yield for bone-in cuts is 75-80 percent of carcass weight for pork, 65-70 percent for beef, and 70-75 percent for lamb. Dr. Raines points out that aging and further processing can decrease your final product weight. If your butcher is hanging (aging) the carcass for two weeks, there is moisture loss due to evaporation. If you are curing hams and bacons from your pig, applying a heat process to your meat cuts may also reduce your final yield.

Using these tools, you should be able to make a rough estimate on the amount of product you will have for sale, what your costs are, and what you will need to charge your customers to remain profitable.

Brian F. Moyer  
Program Assistant  
Penn State Cooperative Extension – Lehigh County  
4184 Dorney Park Rd. Suite 104  
Allentown, PA 18104  
610-391-9840 bfm3@psu.edu